

By

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*Lucio*

SB. No. 224

A BILL TO BE ENTITLED

AN ACT

relating to tax incentives for certain agricultural processing companies locating or expanding in this state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.3185 to read as follows:

Sec. 151.3185. TAXABLE ITEMS SOLD OR USED BY CERTAIN AGRICULTURAL PROCESSORS. (a) In this section:

(1) "Agricultural processor" means a person who is or proposes to be engaged in processing an agricultural product.

(2) "Agricultural product" means an agricultural, horticultural, viticultural, or vegetable product, bees, honey, fish or other seafood, livestock, and poultry.

(3) "Economically distressed county" means a county that:

(A) has a per capita income that averaged 25 percent below the state average for the most recent three consecutive years for which statistics are available and an unemployment rate that averaged 25 percent above the state average for the most recent three consecutive years for which statistics are available; or

(B) is adjacent to an international border.

(4) "Qualified agricultural processor" means an agricultural processor who meets the qualifications prescribed by

1       Subsection (c).

2               (5) "Rural county" means a county with a population of  
3       less than 250,000.

4               (b) A taxable item purchased, leased, rented, stored, or  
5       used by the agricultural processing business of a qualified  
6       agricultural processor is exempted from the taxes imposed by this  
7       chapter.

8               (c) An agricultural processor qualifies for the exemption  
9       provided by this section only if the processor:

10              (1) establishes a new agricultural processing business  
11       in a rural county or economically distressed county or expands an  
12       existing agricultural processing business located in a rural county  
13       or economically distressed county; and

14              (2) makes a capital investment of not less than  
15       \$100,000 in establishing or expanding the business in the location  
16       described by Subdivision (1).

17              (d) A qualified agricultural processor that is not a  
18       corporation subject to taxation under Chapter 171 may claim the  
19       exemption provided by this section only until the third anniversary  
20       of the date on which the processor begins constructing or expanding  
21       a facility that is necessary or essential to the agricultural  
22       processing business described by Subsection (c) or enters into a  
23       lease for such a facility.

24              (e) A qualified agricultural processor that is a corporation  
25       subject to taxation under Chapter 171 may claim the exemption  
26       provided by this section only until the first anniversary of the  
27       date on which the processor begins constructing or expanding a

1 facility that is necessary or essential to the agricultural  
2 processing business described by Subsection (c) or enters into a  
3 lease for such a facility.

4 (f) A corporation must apply to the comptroller for the  
5 exemption provided by this section. The burden of establishing  
6 entitlement to the exemption is on the agricultural processor.

7 SECTION 2. Chapter 171, Tax Code, is amended by adding  
8 Subchapter N to read as follows:

9 SUBCHAPTER N. CREDIT FOR CERTAIN AGRICULTURAL PROCESSORS

10 Sec. 171.701. DEFINITIONS. In this subchapter:

11 (1) "Agricultural processor" has the meaning assigned  
12 by Section 151.3185.

13 (2) "Agricultural product" has the meaning assigned by  
14 Section 151.3185.

15 (3) "Economically distressed county" has the meaning  
16 assigned by Section 151.3185.

17 (4) "New permanent employee" means a new employee,  
18 other than a private contractor, hired by a corporation for a  
19 position that requires at least 1,600 hours of work a year and is  
20 intended to be held by one employee during the entire year.

21 (5) "Rural county" has the meaning assigned by Section  
22 151.3185.

23 Sec. 171.702. ENTITLEMENT TO CREDIT. A corporation is  
24 entitled to a credit in the amount and under the conditions and  
25 limitations provided by this subchapter against the tax imposed  
26 under this chapter.

27 Sec. 171.703. TYPES OF CORPORATIONS THAT QUALIFY FOR CREDIT.

1     (a) A corporation qualifies for a credit under this subchapter if  
2     the corporation is an agricultural processor that:

3             (1) establishes a new agricultural processing business  
4     in a rural county or economically distressed county or expands an  
5     existing agricultural processing business located in a rural county  
6     or economically distressed county; and

7             (2) makes an overall investment relating to the  
8     establishment or expansion in a privilege period that is equal to  
9     at least \$250,000 as computed under Subsection (b).

10            (b) The value of a corporation's overall investment in  
11     establishing or expanding an agricultural processing business in a  
12     rural county or economically distressed county is computed by  
13     multiplying the corporation's capital investment made in  
14     establishing or expanding the business by the value of the new  
15     permanent jobs created by the corporation as computed under  
16     Subsection (c).

17            (c) The value of a new permanent job created by a  
18     corporation is equal to:

19             (1) \$0 for each new permanent employee hired by the  
20     corporation to work at an agricultural processing business  
21     established or expanded in a rural county or economically  
22     distressed area if the corporation hires 14 or fewer new permanent  
23     employees;

24             (2) \$5,000 for each permanent employee hired by the  
25     corporation to work at an agricultural processing business  
26     established or expanded in a rural county or economically  
27     distressed area if the corporation hires at least 15 and not more

1 than 49 new permanent employees; and

2 (3) \$10,000 for each permanent employee hired by the  
3 corporation to work at an agricultural processing business  
4 established or expanded in a rural county or economically  
5 distressed area if the corporation hires more than 49 new permanent  
6 employees.

7 Sec. 171.704. AMOUNT OF CREDIT. (a) The total amount of  
8 the credit for which a corporation may qualify during a privilege  
9 period is equal to:

10 (1) two percent of the value of the corporation's  
11 overall investment for the privilege period if the value is at  
12 least \$250,000 but not more than \$500,000;

13 (2) four percent of the value of the corporation's  
14 overall investment for the privilege period if the value is more  
15 than \$500,000 but not more than \$1 million;

16 (3) six percent of the value of the corporation's  
17 overall investment for the privilege period if the value is more  
18 than \$1 million but not more than \$5 million;

19 (4) eight percent of the value of the corporation's  
20 overall investment for the privilege period if the value is more  
21 than \$5 million but not more than \$10 million; and

22 (5) 10 percent of the value of the corporation's  
23 overall investment for the privilege period if the value is more  
24 than \$10 million.

25 (b) A credit related to a particular new permanent employee  
26 expires if:

27 (1) the employee does not remain continuously employed

1 with the business for at least 90 days; or

2 (2) the number of full-time employees working at that  
3 employee's location falls below the number of employees at that  
4 location on the day after that employee was hired.

5 (c) A corporation that qualifies for a credit under this  
6 subchapter must take the credit in five equal installments.

7 Sec. 171.705. LIMITATIONS. (a) The total credit claimed  
8 under this subchapter for a privilege period may not exceed 50  
9 percent of the amount of net franchise tax due for the privilege  
10 period after any other applicable tax credits.

11 (b) The amount of the credit may not reduce the tax below  
12 zero.

13 Sec. 171.706. CARRYOVER. If a corporation is entitled to  
14 take a credit that exceeds the limitation prescribed by Section  
15 171.705 for a privilege period, the corporation may carry the  
16 credit forward to consecutive reports.

17 Sec. 171.707. CONVEYANCE, ASSIGNMENT, OR TRANSFER. A  
18 corporation may not convey, assign, or transfer a credit to another  
19 person.

20 Sec. 171.708. RULES. The comptroller shall adopt rules  
21 necessary to implement this subchapter.

22 SECTION 3. Subchapter B, Chapter 403, Government Code, is  
23 amended by adding Section 403.0255 to read as follows:

24 Sec. 403.0255. INCENTIVES FOR AGRICULTURAL PROCESSORS. (a)  
25 The comptroller shall promote awareness of incentives available to  
26 companies that want to establish or expand an agricultural  
27 processing business in this state.

1           (b) The comptroller shall recruit the governor's office and  
2           other state agencies, including the department of agriculture, to  
3           participate in a coordinated campaign to increase awareness of the  
4           incentives available.

5           SECTION 4. (a) This Act takes effect January 1, 2000.

6           (b) A corporation may claim an exemption or credit under  
7           this Act only for a capital investment made or new permanent  
8           employee hired on or after the effective date of this Act.

9           SECTION 5. The importance of this legislation and the  
10          crowded condition of the calendars in both houses create an  
11          emergency and an imperative public necessity that the  
12          constitutional rule requiring bills to be read on three several  
13          days in each house be suspended, and this rule is hereby suspended.

S.B. No. 224

By NAYWOOD

A BILL TO BE ENTITLED

AN ACT:

Relating to tax incentives for certain agricultural processing companies locating or expanding in this state.

JAN 22 1999

Filed with the Secretary of the Senate

NATURAL RESOURCES  
SUBCOMMITTEE ON AGRICULTURE

JAN 28 1999

Read and referred to Committee on

Reported favorably

Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

Ordered not printed

Laid before the Senate

Senate and Constitutional Rules to permit consideration suspended by:

{ unanimous consent  
\_\_\_\_ yeas, \_\_\_\_ nays

Read second time, \_\_\_\_\_, and ordered engrossed by:

{ unanimous consent  
a viva voce vote  
\_\_\_\_ yeas, \_\_\_\_ nays

Senate and Constitutional 3 Day Rule suspended by a vote of \_\_\_\_ yeas, \_\_\_\_ nays.

Read third time, \_\_\_\_\_, and passed by:

{ A viva voce vote  
\_\_\_\_ yeas, \_\_\_\_ nays

SECRETARY OF THE SENATE

OTHER ACTION:

Engrossed

Sent to House

Engrossing Clerk \_\_\_\_\_

Received from the Senate

Read first time and referred to Committee on \_\_\_\_\_

Reported \_\_\_\_ favorably (as amended) (as substituted)

Sent to Committee on (Calendars) (Local & Consent Calendars)

Read second time (comm. subst.) (amended); passed to third reading (failed) by a (non-record vote) (record vote of \_\_\_\_ yeas, \_\_\_\_ nays, \_\_\_\_ present, not voting)

Constitutional rule requiring bills to be read on three several days suspended (failed to suspend) by a vote of \_\_\_\_ yeas, \_\_\_\_ nays, \_\_\_\_ present, not voting.

Read third time (amended); finally passed (failed to pass) by a (non-record vote) (record vote of \_\_\_\_ yeas, \_\_\_\_ nays, \_\_\_\_ present, not voting)

Returned to Senate.

CHIEF CLERK OF THE HOUSE

Returned from House without amendment.

Returned from House with \_\_\_\_ amendments.

Concurred in House amendments by a viva voce vote \_\_\_\_ yeas, \_\_\_\_ nays.



\_\_\_\_\_ Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

\_\_\_\_\_ Senate conferees instructed.

\_\_\_\_\_ Senate conferees appointed: \_\_\_\_\_, Chairman; \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_

\_\_\_\_\_ House granted Senate request. House conferees appointed: \_\_\_\_\_, Chairman;  
\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_ Conference Committee Report read and filed with the Secretary of the Senate.

\_\_\_\_\_ Conference Committee Report adopted on the part of the House by: \_\_\_\_\_

{ a viva voce vote  
\_\_\_\_\_ yeas, \_\_\_\_\_ nays

\_\_\_\_\_ Conference Committee Report adopted on the part of the Senate by:

{ a viva voce vote  
\_\_\_\_\_ yeas, \_\_\_\_\_ nays

**OTHER ACTION:**

\_\_\_\_\_ Recommitted to Conference Committee

\_\_\_\_\_ Conferees discharged.

\_\_\_\_\_ Conference Committee Report failed of adoption by: \_\_\_\_\_

{ a viva voce vote  
\_\_\_\_\_ yeas, \_\_\_\_\_ nays